

A confused and confusing body politic

The signals from the ANC body politic remain contradictory and confusing.

On the one hand Mr Zuma received strong support at the NGC with his calls for discipline and his slapping down of the Youth League. Now scarcely two weeks later Mr Malema is openly flouting Mr Zuma's authority. Mr Malema is also in a spat with Mr Vavi on "predators" and "hyenas" in a clear contradiction of NGC resolutions.

On the one hand there is the official National Health Insurance proposals which are moderate and much watered down from what they were a year ago (see detail below). On the other hand there are calls for nationalisation of the mines and a bigger role for the state in the national economy.

The only issue on which the ANC seems united is a "call for Parliament to conduct a public inquiry" on various aspects of the media, including "transformation of the print media", "accountability mechanism (of the media) without compromising the values enshrined in our Constitution" and different "regulatory mechanisms".

So, what to make of all this?

National Health Insurance (NHI)

The most concrete and tangible are the National Health proposals. These reflect the official ANC position. It is striking how much more moderate these proposals are from a year ago.

Firstly, last year's ANC election manifesto specifically stated that the NHI would be introduced over 5 years. Now it will be introduced over 14 years (a position specifically endorsed by Cosatu). Clearly some financial modelling was done and realism tempered the political promises.

Secondly, last year the thinking was that all health professionals and services would be part of the NHI – in effect working for the state and no private sector. Now it is specifically proposed that the private sector will continue to operate. In fact, the minister of Health is looking at ways to establish public-private partnerships in the health sector.

Thirdly, a year ago the idea was to pay for the NHI through taxes on personal income. Now an increase in VAT is added to personal taxes. Most significantly, it is specifically proposed that most of the cost will be covered from the "general taxation pool". It makes sense. Personal income taxes make up only 30% of the govt tax take – indirect taxes like VAT contribute some 45%. By including VAT one can tax a much bigger base at a smaller rate.

Some interesting debates await. The ANC itself has put the VAT increase on the table. The leader of the SACP, Blaide Nzimande, has rejected the idea of a VAT increase to pay for health care. Cosatu has supported the NHI proposals, thus implying support for the VAT idea, but it is noticeable that so far they have been muted on the tax side of the NHI.

The numbers

Fourthly, a year ago the NHI numbers were astronomical. Now the cost is much more modest at about 0,5% of GDP. The cost is estimated at R128,5 billion in the first year, 2012/13, but in the medium term budget framework an amount of R113,6 billion has already been budgeted for that year. So the extra money comes to about R15 billion, which is equal to 0,45% of the expected R3,3 trillion GDP for 2012/13.

Total health spending in that year is expected to be 8,5% of GDP, excluding the NHI. The state will spend 3,72% of that and the private sector 4,67%. (The NGO sector spends the remaining 0,17%).

The politics of these numbers are intense: many on the left wanted the total 8,5% to be equally divided amongst all citizens, thus all money goes into the state sector and no private health sector exists. That is where the NHI started off last year, but current proposals are very far from that.

Conclusion

Many details must still be clarified, but it seems to me the NHI will start off as the current health budget and health system, supplemented by more money for the upgrading & expanding of facilities and personnel. That extra money will come from higher taxes the precise combination which must still be decided.

The upgrading and expansion will take place over 14 years and, combined with some public pressure, should result in a better level of care for public patients. The proposals are moderate but substantive enough to make a difference over time – important, as health is one of the factors dragging SA down seriously in competitiveness rankings.

Those who prefer and can afford private health care, will carry on using it. The NHI is clearly a victory for moderation and common sense.

Nationalisation of the mines

How does that sit next to calls for nationalisation? A year ago the NHI sounded much like nationalisation now. A year ago the banning of labour brokers also sounded like nationalisation now, but labour brokers are functioning happily. Should one therefore take the nationalisation debate seriously?

First of all there is confusion about what nationalisation means. For some it is out-and-out state ownership of mines; for others it is a state mining company that will take a share in mining operations and generate an extra income stream for the state (Malema?); a third group supports nationalisation because it will enable the monetisation of BEE shareholding (Bridget Radebe's shrill noises in favour?); for a fourth group it is nothing but a political campaign to succeed Mr Zuma. (Tokyo Sexwale's tut-tut noises in favour?)

Secondly, I think it would be a mistake to under-estimate the issue. There are many South Africans who believe that nationalisation is a good idea. During Thabo Mbeki's term discussion on it was curtailed but

there is now a new openness and people are articulating their views. Those views must now be answered and challenged.

Old ANC observers suggest that nationalisation is the last thing that will happen. Maybe so, but the issue is now on the table and will remain there till the 2012 conference. The NHI idea was moderated and watered down precisely because there was a task team doing an intensive review of the whole idea. The same rigorous review will have to take place around nationalisation. That means lots of noise and an element of uncertainty – it will tax the nerves of investors and fund managers!

Media regulation

On this issue there is no confusion in the ANC – it calls “for Parliament to conduct a public inquiry” on transformation of the print media, an accountability mechanism and different regulatory mechanisms like self regulation, co-regulation to independent regulation.

A public inquiry is not a media tribunal yet. But it does mean that the process and debate will now shift from internal ANC to Parliament. Imagine the noise and furore that will greet us whilst this process goes on. It is no doubt good for debate and open society dynamics, but it will create nervousness for investors and citizens.

Some cynics would argue that an inquiry is merely a first step towards media control. Even if that is the intent, any suggested control measures will still have to pass the Constitution. It is also important to distinguish control and regulation, particularly self-regulation – they are very different animals.

I stick to the view I expressed in August when the media debate reached fever pitch and I commented that govt would have to *step back* and media would have to *step up* to the plate and look at the way it operates and regulates itself. It seems to me that is the way matters are developing:

- the Press Council is busy with a review of the Press Code and how it operates;
- the editors and media owners are about to launch an own commission of inquiry into self-regulation;
- the minister has deleted some (but certainly not all) of the offensive clauses from the Protection of Public Information Bill. If he does not delete the rest, the Bill will certainly be challenged in the Constitutional Court.

So What?

NHI is now a matter of real policy decisions. Both media and mines are in the rhetoric phase. Over the next two years they will move from rhetoric to real decisions. Those decisions will also be wrapped up in the succession battles in the ANC. Politics will become much more disruptive. If those decisions turn out to be as moderate as the NHI decisions, well and fine. If not, the country will regress. Either way, investors and citizens are in for a period of uncertainty and volatile politics.